

Raytheon Systems Limited Pension Scheme (the “Scheme”)

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 5 April 2025. This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended, and related guidance. The SIP is enclosed within the Appendix of this annual report, and can be found at https://www.raytheonpensions.co.uk/uploaded/documents/rs/lps-sip-2024_432928_391329.pdf

Review of the SIP

The Trustees review the SIP at least every three years and without delay after any significant change in investment policy. There were no changes to the SIP during the year covered by this Statement.

The Trustees last reviewed and amended the SIP in March 2024 in order to reflect the purchase of a bulk annuity “buy-in” policy Just Group (“Just”), securing the Scheme’s full liabilities. Under the policy, Just Group are obligated to make payments to the Trustees in order to meet the Scheme’s liabilities to the beneficiaries insured under the policy. The Trustees invest the Scheme’s residual assets not invested in the bulk annuity policy in closed-ended private market investment funds. Cash is also held in the Trustee Bank Account.

Policy on environmental, social and governance issues

The SIP includes the Trustees’ policy on environmental, social and governance (“ESG”) issues, stewardship and climate change. The policy sets out the Trustees’ beliefs in this regard, and the processes followed by the Trustees in relation to voting rights and stewardship. The policy was last reviewed as part of the Trustees’ review of the SIP in March 2024, and no changes have been made to the overarching policy since then. To establish the policy, the Trustees have undertaken training provided by the Scheme’s advisers which covered ESG factors, stewardship and climate change. The Trustees keep the policies under review (as a minimum, every three years, or sooner if required).

Policy on asset manager arrangements

Section 9 of the SIP details the Trustees’ policies in relation to the Scheme’s asset manager arrangements.

The Trustees are pleased to confirm that their policies on ESG issues and asset manager arrangements have been followed during the year.

Engagement activity during the year

The following work was undertaken during the year relating to the Trustees’ engagement activity on ESG factors, stewardship and climate change. This summary also documents how the Trustees’ engagement and voting policies were followed and implemented during the year.

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Activity	Date(s)	Details
Implementation Statement	August / September 2024	<p>The Trustees reviewed the Scheme’s draft Engagement Policy Implementation Statement, covering the period to 5 April 2024.</p> <p>As part of this review, the Trustees considered the stewardship (voting and engagement) activities that had been carried out by the investment managers on the Trustees’ behalf. The Trustees were satisfied that the stewardship activities were consistent with our policies in this area.</p>
Risk register review	At each Trustee Board meeting	<p>The Scheme’s risk register is reviewed at each Trustee meeting. Three Trustee meetings were held over the year.</p> <p>The risk register includes a specific area relating to the management of ESG risks and opportunities, including climate change, and documents the controls and mitigations in place to ensure these risks are managed.</p>
Review of investment consultant relative to strategic objectives	17 December 2024	<p>The Trustees have set the appointed investment consultant a set of strategic objectives, which span a range of issues. Explicit reference is included in the objectives to ensuring that the consultant considers environmental, social and governance matters when providing advice to the Trustees.</p> <p>In December 2024, the Trustees received a report to document the activities carried out by the consultant to meet the objectives, and concluded that these objectives had been met.</p>

Voting and Engagement Activity During the Year

Voting

Significant votes are those relating to one or more of the Trustees’ stewardship priorities, which are:

- Climate change
- Social and people related issues, including diversity, equity, and inclusion
- Responsible governance, including company board quality and independence.

The Scheme does not use the services of a proxy voter.

In practice, during the year covered by this Statement, the Scheme did not invest in any listed equities (the asset class where voting rights are typically attached). No significant votes were identified by the investment managers of the remaining assets. As such, there are no votes to report that met the Trustees’ definition of a most significant vote.

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Engagement

The following case studies provide details of engagement activities undertaken by the Scheme’s remaining three investment managers (Blackstone Group, Intermediate Capital Group, and Lexington Partners), and the insurance policy provider (Just Group) during the year, aligned to the Scheme’s stewardship priorities.

We note that the Scheme’s residual asset portfolios are relatively small and the mandates are in “run-off”, will fewer underlying investments than was the case when the portfolios were less mature. Therefore, in cases where there were no engagement examples relating to the specific underlying holdings of the Scheme, we highlight broader engagement work carried out by the investment manager.

Investment manager	Blackstone Group (“Blackstone”) – Real Estate
Overall approach to engagement	<p>Blackstone is the largest owner of commercial real estate in the world, which they believe provides a unique opportunity to both enhance long-term value for investors and to build stronger, more resilient assets by integrating sustainability factors into the investment framework.</p> <p>In relation to engagement, Blackstone work with portfolio companies to develop three-year strategic roadmaps tailored to a company’s material sustainability priorities, and assist in setting sustainability key performance indicators. The manager holds monthly regional “Communities of Practice” meetings to facilitate engagement, education, and the exchange of best practices across Blackstone’s Real Estate companies.</p>
Case study on engagement	
Stewardship Priority	Social and people related issues, including diversity, equity, and inclusion
Engagement activity	Blackstone have created a programme known as “Career Pathways™” which aims to increase access to entry- and mid-level jobs for diverse and historically underrepresented talent. They encourage the companies in the underlying asset portfolio to also participate in this initiative.
Details	<p>The programme aims to:</p> <ul style="list-style-type: none"> • Promote practices that remove barriers to entry including removing degree requirements from select roles. • Build talent pipelines with organizations that focus on upskilling / reskilling and working with colleges / universities that are Historically Black College or Universities (HBCUs), Hispanic Serving Institutions (HSIs), and MSIs Minority-Serving Institutions (MSIs). • Provide training for recruiters and hiring managers on skills-based hiring approach. <p>This is supported by investing in mentorship and sponsorship programs.</p>
Outcome	Blackstone highlights that over 100,000 veterans, veterans’ spouses and caregivers have been hired across its portfolio companies since 2013. Blackstone has also committed to 2,000 refugee hires across global portfolio companies and real estate properties, including 1,500 refugees in the USA alone.

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Investment manager	Intermediate Capital Group (ICG) – Private Credit
Overall approach to engagement	<p>ICG strives to adopt best practice in its approach to engagement, considering material sustainability factors at each stage of investment – from assessment (screening, due diligence and investment decision-making), to monitoring, engagement and eventual exit. They will engage directly with portfolio companies to encourage sustainable business practices.</p> <p>Strong partnerships with companies, sponsors, borrowers, investors and other stakeholders also help ICG to drive sustainable outcomes. Collaboration with peers and the wider industry is also considered critical by ICG, with ICG leadership and participation across multiple initiatives including the Private Markets Decarbonisation Roadmap (PMDR) and the Science Based Targets Initiative (SBTi).</p>
Case study on engagement	
Stewardship Priority	Climate change
Company	Minimax Viking, a market leader in the development and supply of fire protection systems for commercial and industrial applications with a particular focus on special hazard situations.
Details	<p>ICG has worked closely with Minimax on its sustainability journey, notably around the environmental impact of its products, water efficiency, and the use of recycled materials within its business.</p> <p>Typically, sustainability is a regular agenda item at board meetings, and ICG review sustainability progress and performance at least annually, including through an annual sustainability survey.</p>
Outcome	<p>ICG note that Minimax continues to introduce products with improved sustainability benefits for customers. For example, the company is replacing commonly used carbon dioxide with inert gases such as argon or nitrogen, which are not greenhouse gases.</p> <p>Minimax has also developed low-pressure technology water mist sprinkler systems, which save up to 85% of water while achieving comparable effectiveness to high-pressure systems. Minimax has also launched its PVProtect product line focused on offering fire protection for rooftop solar systems.</p> <p>Minimax has additionally increased its efforts to reuse materials in the production of fire sprinklers and valves. For example, in key product categories, fire sprinklers are made of 82% recycled material on average; iron castings in valves use approximately 40% scrap material and 40% re-melted or recycled material; and brass valves use 100% recycled material.</p>

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Investment manager	Lexington Partners (Lexington) – Private Equity
Overall approach to engagement	<p>Lexington firmly believes that a commitment to strong ESG and stewardship policies and practices can create lasting value for investors, enhance long-term investment performance, and support alignment with Lexington’s PRI signatory commitment while promoting ESG principles in the industry and society.</p> <p>As a manager of secondary and co-investment funds, Lexington does not typically control the underlying investments and, therefore, Lexington has more limited ability to directly engage portfolio companies on ESG-related issues. However, Lexington believes that engagement with sponsors can help to achieve common goals, including but not limited to improving data transparency, encouraging greater integration of ESG practices, and promoting strong business practices including the mitigation of conflicts of interest.</p>
Case study on engagement	
Stewardship Priority	Multiple ESG related themes including climate change, diversity and inclusion, and responsible governance
Engagement activity undertaken	<p>While Lexington does not disclose company-level engagements, the manager reported the following activities in its latest annual report:</p> <ul style="list-style-type: none"> • Expansion of their proprietary ESG survey to support the collection of meaningful data on ESG related issues from the assets in the portfolio. • Participation in Franklin Templeton’s Sustainability & Stewardship Council. • Offsetting of firm-level Scope 1 and 2 greenhouse gas emissions with verified carbon credits. • Running internship programmes focused on inclusion, e.g. by partnering with Girls Who Invest. • Joined the Gender Equity Consortium.
Outcome	<p>Lexington shares the results from its 2024 ESG Survey. The highlights can be found below:</p> <ul style="list-style-type: none"> • 97% of investee respondents have an ESG policy (or similar) and integrate ESG into their investment analysis. • 83% of respondents conduct ESG training for employees. • 89% of respondents who incorporate ESG into ownership track ESG-related KPIs (up from 79% in 2023). • 67% of respondents assess climate-related risks and opportunities. • 66% of respondents calculate GHG emissions at the portfolio level (up from 56% in 2023).

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Insurer	Just Group (“Just”)
<p>Overall approach to engagement</p>	<p>Just invest in a range of assets to “back” their bulk annuity business. They use engagement as part of a Responsible Investment framework, and this falls into three broad categories:</p> <p>Direct engagement with investee companies to support improvements on sustainability.</p> <p>Engagement with asset managers of the underlying assets, through dialogue on sustainability and climate change.</p> <p>Collaboration with the wider market such as through participation in industry-wide initiatives or organisations to take part in activities that influence regulation, policy, and wider areas of the market.</p>
Engagement example during the year	
<p>Stewardship Priority</p>	<p>Climate change.</p>
<p>Engagement activity</p>	<p>Engagement with suppliers, asset managers, and the industry</p>
<p>Work Undertaken</p>	<p>Following direct engagement with a selection of suppliers on the availability of carbon emissions data, during 2024 Just worked with a third-party data provider (as well as suppliers directly) to seek to improve the quality and granularity of supply chain data on emissions. Good data helps in managing climate change risks and opportunities as it allows Just to better understand how exposed it may be to the transition to a lower carbon world, and where the most significant risks lie. This is particularly important for “Scope 3” emissions (upstream and downstream activities in Just’s supply chain) where data standards are still evolving.</p> <p>Just also participated in the development of guidance on climate change reporting via the Transition Plan Taskforce’s asset owner working group and continued engaging with stakeholders such as the Association of British Insurers.</p> <p>In relation to the companies that issue securities held in Just’s asset portfolio, Just identified those entities with high greenhouse gas emissions, to help drive progress on Just’s climate-related targets.</p>